Memorandum

To: All Fellows, Affiliates, Associates and Correspondents of the Canadian Institute of Actuaries
From: James K. Christie
       President
       Anne Vincent, Chair
       Task Force on Governance
Date: May 28, 2012
Subject: Proposed Bylaw Amendments—Removal of a Board Member from Office

This communication is a follow-up to the memorandum that was sent to the members on November 15, 2011, which provided a summary of the Task Force on Governance’s recommendations regarding the removal of a Board member from office in exceptional circumstances, and which invited comments on the proposal. The task force considered the members’ comments on the proposed amendments and related material and presented a revised proposal to the Board on March 27, 2012. The proposed bylaw amendments have now been approved by the Board and are being presented to the members for confirmation.

Background

Recent events in another actuarial organization have served as a lesson and prompted the CIA to undertake the necessary steps that would grant the Board the required authority to remove a Board member from office when such removal would be warranted due to exceptional actions or circumstances that would be considered detrimental to the Institute and/or the profession.

The CIA obtained a legal opinion in this regard, which included a recommendation to amend the Bylaws to allow for the Board to remove a Board member from office in such situations.

The Board subsequently directed the Task Force on Governance to look into this matter further. With the assistance of a consultant who provided advice and expertise, the task force recommended that the Board move ahead with legal counsel’s recommendation to amend the Bylaws in order to enable the Board to remove from office a member who is considered unfit to perform his/her duties, who is likely to bring the Institute and/or profession into disrepute due to his or her actions and/or situation, or for any reason that the Board in its discretion may determine to be valid.

Revised Proposal

During the consultation period, the Task Force on Governance received comments from four members on the proposed bylaw amendments and related Process for Removal of a Board
Member from Office. The comments were reviewed and discussed by the task force and a few minor changes were made to the proposed process. After careful consideration, the task force determined that no changes to the proposed bylaw amendments themselves were warranted.

However, during this same time period, a subgroup of the Task Force on Governance was also working on developing a formal CIA Code of Conduct for Members of the Board, as well as a Procedure for Review of Board Member Conduct, which are now complete. It was determined that there was a significant overlap between the proposed Process for Removal of a Board Member from Office and the Procedure for Review of Board Member Conduct that was developed. The task force has therefore chosen to replace its proposed process that was circulated to members with the more detailed Procedure for Review of Board Member Conduct. This new procedure incorporates all of the principles that were proposed in the initial process, as well as any changes that were made following member input over the winter.

Some of the key elements of the proposal include:

- A requirement of 75 percent of all Board members to vote in favor of removing a Board member from office under new proposed bylaw 11.15(1.1). It was considered important to require more than a simple majority vote in such a situation.

- A set of formal procedures to be applied to all cases involving a potential violation of the CIA Code of Conduct for Members of the Board that will strike the proper balance between ensuring full compliance with the code and the protection of Board members against false, malicious, or groundless accusations that could result in significant business or personal harm if not properly handled.

**PROCESS**

In accordance with our Bylaws, the proposed amendments were adopted by the Board and are now being submitted to members for confirmation (appendix A). Pursuant to bylaw 10.04, the Board also approved the use of proxy voting that will enable the voting process to be carried out electronically. The enclosed procedure provides details on how this will be conducted.

Although they do not require member confirmation, the following documents are included for information:

- CIA Code of Conduct for Members of the Board (approved by the Board on March 27, 2012);
- Procedure for Review of Board Member Conduct (approved by the Board on March 27, 2012); and
- Report of the Task Force on Governance (dated September 2010).

Members are encouraged to become involved in this discussion by participating in one or more of the following activities:

**Discussion—May 28 to June 21, 2012**

You will find instructions on how to participate in the Amendments Listserver in this package of material. Once per week, designated representatives will respond to questions posed on the listserver.
Webcast—June 7, 2012

Please register for the webcast on the CIA website under Events>Webcasts. Members of the CIA leadership and Task Force on Governance will provide an overview of the bylaw amendments related to the removal of a Board member from office and will be available to answer your questions.

Please note, there will be no “live” voting during the webcast; see the procedure for proxy voting below.

Proxy Voting—June 7 to 3:00 p.m. EDT on June 19, 2012

Members may vote on the proposed bylaw amendments via proxy voting between June 7 and 3:00 p.m. EDT on June 19. Please note that members who have voted by proxy may not vote on the bylaw amendments in person on June 21, 2012.

General Business Session, 2012 CIA Annual Meeting—June 21 in Toronto

Members may vote in person on June 21 at the General Business Session of the Annual Meeting. Members who are eligible to vote may discuss and vote on the proposed bylaw amendments. The results of these votes are combined with the votes received by proxy.

Additional documentation included for review:

- Amending Bylaw No. 2012-1 (CIA Bylaws);
- Appendix A to the above, indicating proposed amendments to the Bylaws; and
- Information and instructions regarding the procedures being followed to amend the Bylaws (member discussion and proxy voting) with members’ confirmation at the June 21 General Business Session of the 2012 Annual Meeting in Toronto.